

M e m o r a n d u m

To: Panel Members Date: January 26, 2007
From: Dolores Kendrick, Manager Analyst: M. Paccarelli
Subject: One-Step Agreement for **GNOMON SCHOOL OF VISUAL EFFECTS**

CONTRACTOR:

- Multiple Employer: Training Agency
- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Workers In Danger Of Being Displaced
- Type of Industry: Services - Entertainment
- Repeat Contractor: No
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: None of The Core Group of Employers Is Represented by a Collective Bargaining Agreement

CONTRACT:

- Program Costs: \$186,750
- Substantial Contribution: \$0
- Multiple Employer Support (8%) \$12,875
- Total ETP Funding: \$199,625
- Total In-kind Contribution: \$327,600
 - *Trainee Wages Paid During Training:* \$280,800
 - *Other Contributions:* \$46,800
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Location of Training: 100% Center Based; 0% Employer Site

INTRODUCTION:

Gnomon School of Visual Effects (Gnomon) is a private, for profit, training and educational center specializing in high-end computer graphics for the entertainment industry. Gnomon is eligible to contract with the Employment Training Panel under Title 22, California Code of Regulations (CCR), Section 4426(a)(6) as a training agency approved and certified by the Bureau for Private Postsecondary and Vocational Education.

Participating employers will include representatives from all facets of the entertainment industry, which will also include those companies whose primary clients are entertainment production companies. These employers will meet out-of-state competition requirements under Title 22 CCR, Sections 4416(d)(3,4) as service companies facing out-of-state competition, and Section 4416(i)(2) as companies involved in motion picture and video production. Gnomon is requesting Panel funds to retrain 125 incumbent workers from eligible participating employers statewide.

MEETING ETP GOALS AND OBJECTIVES:

Gnomon proposes training that will further the following ETP goals and objectives:

- 1) Foster job retention in industries that are threatened by out-of-state competition.
- 2) Promote California's manufacturing workforce.
- 3) Target workers who are subject to displacement because of changes in technology or significantly increasing levels of international and out-of-state competition.
- 4) Invest in developing the skills of frontline workers, and to foster job retention of high-wage, high-skilled jobs.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job 1 Retrainee Priority Industries	MENU: Advanced Technology	125	24 -120	0	\$1,597	\$20.00- \$50.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Interactive Digital Media Production Interactive Digital Media Support Staff Motion Picture Production Staff Motion Picture Technical Support TV Production Staff TV Technical Support Staff						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although some participating employers pay health benefits for employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 20%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 20%
<u>Other Employee Benefits:</u> Varies by participating employer						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

Gnomon will provide training primarily to serve workers who meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee). No more than twenty percent of a participating employer's ETP trainees will be managers or supervisors.

➤ ***Production During Training***

Gnomon agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

COMMENTS / ISSUES: (continued)

➤ ***Advanced Technology Training (AT) Fixed Fee Rate***

Gnomon is requesting the Advanced Technology reimbursement rate of \$22.00 per hour for training in high-end digital projection and computer graphics with the latest software and hardware technology. Because of the low ratio of students, 1 to 10 or less, combined with the cost of the equipment used for training, per-student course costs are much higher than seen in other curriculum areas. Gnomon's representatives state that the completion of this highly technical, specialized, and customized training will improve trainees' chances of continued employment in the entertainment industry.

➤ ***Center-Based Training***

All training will be conducted at Gnomon's 7,500 square-foot facility in the center of the Hollywood production district, which includes four computer labs with a total of 50 production-level workstations. All systems are 100 base-T networked with Internet access via high-speed DSL (Digital Subscriber Line) service. Classrooms also feature digital-editing systems that allow students to capture video, burn DVD (Digital Versatile/Video Disc), and record VHS (Video Home System). An analog studio is home to courses such as figure drawing and production design.

This project will provide access to training for employers who cannot take equipment and staff out of production to utilize for training purposes; and for small businesses which often lack adequate training facilities, equipment, and in-house trainers with the necessary expertise. Gnomon's representatives stated that the proposed training cannot typically be provided at the employer site because the equipment is too expensive to be non-productive.

To meet ETP's customization requirement, center-based training conducted at Gnomon will be limited to workers from the entertainment industry. The school performs formal assessments on skill levels, topics, and training delivery methods to ensure training is customized to the employers' needs and specifications.

RECOMMENDATION:

Staff recommends that the Panel approve the this proposal based on the industry need for employees with advanced technology skills to meet competitive pressures of the global entertainment industry. California's entertainment industry is faced with a decline in business due to runaway production. Participating employers can keep pace with the latest computer technology through Gnomon's training programs, which will provide their employees with the most current skills to work in the entertainment industry and help keep jobs in California.

NARRATIVE:

Gnomon was founded in 1997 by Alex Alvarez, an engineer for an entertainment software company. Mr. Ramirez spent much of his time at production studios working with digital artists, when he began to realize the need for a school that would teach the tools necessary to produce digital effects animation.

In conjunction with several major studios across Los Angeles, Gnomon's curriculum and facilities have been designed to constantly evolve to reflect any new demands that may arise from the entertainment industry. Gnomon's directors and instructors are industry professionals and consult for studios such as DreamWorks, Disney, Rhythm & Hues, Industrial Light & Magic, Digital Domain, Zoic Studios, Pac-Title/Mirage, Rock Star Games, and Blizzard. Gnomon's goal is to provide a solution for the lack of well-trained digital artists and production staff in the entertainment industry.

Employer Demand

Panel policy requires multiple employer contractors provide evidence of employer demand for training.

Gnomon has been working with its Advisory Board and the Association of Digital Effects Production Trainers (ADEPT) to provide well-rounded production and visual effects artists to the film, television, and game entertainment industries. Gnomon conducted surveys and interviews with a number of companies in the entertainment industry to determine both the short and long term training needs of their workforce. These employers conveyed that with the growing demand and constant evolution of technology, training is no longer a luxury but rather a necessity. The training in this proposal will enable industry workers to remain in highly skilled, high wage, secure jobs.

With constantly changing technology in the entertainment industry, it is necessary for workers to be trained in the most current versions of digital software and hardware to improve their chances of continued employment and to help participating employers remain viable in the California economy. Along with these changes, competition has been rapidly developing in other parts of the country and the world, challenging the California entertainment industry.

In 1998, both the Screen Actors Guild and the Directors Guild of America jointly issued a report showing that the total economic impact as a result of United States (U.S.) economic runaway film and television production was \$10.3 billion, up more than fivefold since the beginning of the decade. This impact continued to increase over the past five years. Economic runaway is defined as U.S.-developed feature films, movies for television, TV shows or series, which are filmed in another country for economic reasons. A report, conducted by the international consulting firm, Monitor Company, estimated that the so-called runaway production has cost U.S. entertainment industry workers more than 60,000 full-time equivalent positions in the last three years alone. According to the applicant, more than 20,000 of these positions are in California, where the majority of production companies are based.

NARRATIVE: (continued)

Demand for training continues to grow as the industry attempts to remain globally competitive by becoming more efficient. California-based entertainment products created outside of the state often use post-production, visual effects, and other services from companies located in those areas. Many other states and countries now have a well-developed industry of support services that take business away from California employers. These employers have to compete on price, equipment, and services, but primarily on talent. The companies with up-to-date technology will have the competitive edge to keep and bring business into California.

Based on employer surveys and interviews, Gnomon developed the proposed curriculum for **Advanced Technology** training which will include non-linear editing platforms, compositing programs; DVD production, motion graphics for video, film, corporate video and multimedia, Photoshop for film and video environment, and animated and interactive web page design.

Gnomon will assess the effectiveness of the training by the continuing use of course evaluations completed by each trainee. In addition, periodic feedback will be requested from participating employers to assure that the training helps to meet their goals.

Commitment to Training

The technology in the entertainment industry is changing rapidly and becoming more pervasive. Employees are required to have a wider variety of skill sets to meet the unique needs of various distribution methods. Many employers in the entertainment industry report that they have no formal training program. Even though these businesses recognize the need for training, they have been unable to provide training because of limited resources, lack of qualified trainers, and the inability to use computer resources for training.

In the past, industry employees learned on-the-job, but with technology changes in the industry, such training is no longer possible. The equipment is simply too expensive to be non-productive. In addition, small employers do not have the ability to bring in a trainer for just one or two critical employees. Participating employers stipulated in their Certification Statements that ETP funding will not displace their resources for training.

SUBCONTRACTORS:

Spectra Business Improvement Systems, Arcadia, California, will provide administrative services for an amount not to exceed 13 percent of the payment earned.

THIRD PARTY SERVICES:

Spectra Business Improvement Systems provided assistance in the ETP application at no cost to the applicant.

GNOMON SCHOOL OF VISUAL EFFECTS

MENU CURRICULUM

Class Lab Hours
24 -120

Trainees will receive any of the following:

ADVANCED TECHNOLOGY

- Animation & Visual Effects (VFX)
- Engine Editors for Film & Game Entertainment
- Advanced Modeling Tools
- Image-Based Modeling
- 3D Computer Graphics
- 3D Modeling & Texturing Program
- Texture Mapping
- Digital Matte Painting
- Cinematic Composition & Structure
- Previsualization & Animatics
- Character Techniques in Animation
- Compositing
- Digital Sculpting, Texture, and Anatomy
- Environment/Character Workflow Techniques
- Creature Development & Creation for Film & Video Games
- Production Design
- Cinematography for VFX
- Storyboarding/Animatics
- Visual Structure
- Character Maquette Sculpture

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)

**Participating Employers in Retrainee/New Hire
Multiple Employer Contractor (MEC) Agreements
(ETP 100B)**

Contractor's Name: Gnomon School of Visual Effects
Reference No: 07-0219

CCG No.: ET07-0274
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PRINT OR TYPE

Company: Gentle Giant

Address: 7511 N. San Fernando Rd.

City, State, Zip: Burbank, Ca. 91505

Contact Person/Title: Scott Spencer, Digital Supervisor

Telephone No.: 818-504-3554

Collective Bargaining Agreement(s): No

Total # of full-time company employees worldwide: 87

Total # of full-time company employees in California: 87

Estimated # of employees to be retrained or hired under this Agreement: 25

Company: Radium

Address: 720 Wilshire Blvd. Suite #200

City, State, Zip: Santa Monica, Ca. 90401

Contact Person/Title: Brad Reinke, Operations Manager

Telephone No.: 310-656-0156

Collective Bargaining Agreement(s): No

Total # of full-time company employees worldwide: 60

Total # of full-time company employees in California: 60

Estimated # of employees to be retrained or hired under this Agreement: 10

Company: Reality Check Studios

Address: 6100 Melrose Ave.

City, State, Zip: Los Angeles, Ca. 90038

Contact Person/Title: Andrew Heibold, President

Telephone No.: 323-465-3900

Collective Bargaining Agreement(s): No

Total # of full-time company employees worldwide: 32

Total # of full-time company employees in California: 31

Estimated # of employees to be retrained or hired under this Agreement: 15

**Participating Employers in Retrainee/New Hire
Multiple Employer Contractor (MEC) Agreements
(ETP 100B)**

Contractor's Name: Gnomon School of Visual Effects

CCG No.: ET07-0274

Reference No: 07-0219

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PRINT OR TYPE

Company: Sony Pictures Imageworks

Address: 9050 W. Washington Blvd.

City, State, Zip: Culver City, Ca. 90232

Contact Person/Title: Sande Scoredos, Executive Director

Telephone No.: 310-840-8312

Collective Bargaining Agreement(s): No

Total # of full-time company employees worldwide: 151,400

Total # of full-time company employees in California: 5,700

Estimated # of employees to be retrained or hired under this Agreement: 15